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ATM pioneer looks to change banking again

Leif Lundblad is trying to cut cash machine costs

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Leif Lundblad was in his 50s when he sold the company he had set up for $160m two decades ago, but instead of settling down into a long and golden retirement he decided to start all over again. Now the 72-year-old Swede believes he is on the verge of another success.

Mr Lundblad made his first fortune developing some of the early technology behind automatic teller machines (ATMs); now he claims his latest innovation could prove just as revolutionary for the banking sector. His "Super ATM" takes the banknotes deposited by local businesses at their bank and automatically recycles them for withdrawal by other customers – greatly reducing the amount of cash that banks need to move to and from branches as well as all the costly security that goes with it.

His latest initiative reflects a combination of mechanical skill and entrepreneurial spirit that has been apparent in Mr Lundblad since childhood – although his early efforts were not always successes. "I remember trying to fix my grandparents' radio when I was six," he recalls. "After half an hour, it was in pieces and irreparable. My dad was quite cross but from that moment I decided I was going to be a radio repair man."

He stuck to his goal and, after leaving school at 17, he set up a radio repair business, with a lucrative sideline in importing television sets from Germany just as the technology was taking off in 1950s Sweden. He soon diversified into other ventures ranging from dynamite-blasting to cleaning the facades of old buildings. “I would phone up the owner of a dirty house and offer to clean part of the building for free to demonstrate the technique,” he chuckles. “The contrast between the clean and dirty sections was so great, they usually paid to have the rest done.”

Mr Lundblad even came up with his own blend of chemicals to remove the grime and started licensing it across Europe. It was an early example of his flair for spotting an unmet need and developing a product to fill the gap.

Impeccably groomed with a thin moustache and a handkerchief folded in his breast pocket, Mr Lundblad looks as though he inhabits a different universe from the latest generation of hip young Swedish entrepreneurs such as Daniel Ek of Spotify and Niklas Zennström, co-founder of Skype. Yet, while his innovations may lack the glamour of an internet start-up such as Skype and Spotify, he too can be called a technological trailblazer.

His cash-recycling machine is the culmination of almost three decades of work that started when a friend who ran a petrol station asked him to come up with a mechanism to prevent employees stealing cash. That started a chain of innovations that led to him developing one of the first automated-teller systems used by bank clerks to dispense money without having to count it out manually.

Citibank heard about the product in the late 1970s and sent representatives across the Atlantic to see it. “They came to my living room in Stockholm to look at a prototype,” says Mr Lundblad. “By the end of the meeting they had ordered 761 to install in all their banks on Manhattan.”

It was the breakthrough that transformed Mr Lundblad from a small-scale serial entrepreneur into the owner of a successful international company, called Inter Innovation. Soon, his cash dispensing system was being snapped up by banks around the world and integrated into the first generation of ATMs.

Inter Innovation grew from seven employees to 2,000 and listed on the Stockholm stock exchange before eventually being bought by De La Rue, the UK-based banknote printer, in 1991.

Mr Lundblad decided to stay focused on ATMs after selling Inter Innovation because he saw that there was still huge potential for more automation in retail banking. Instead of setting up a new company, he acquired a small Swedish ATM manufacturer called Banqit to use as a platform.

Initially, Mr Lundblad entrusted the business to professional managers, but he grew frustrated at the slow pace of innovation and eventually took over as chief executive: “We had a good managing director, but I felt we needed a more entrepreneurial approach, focused on developing the product rather than the organisation.”

Revenues fell from SKr82m in 2009 to SKr33m last year as sales of older ATMs declined, leaving the company increasingly dependent on Mr Lundblad’s new cash-recycling machine, called the Q-Cash Router, taking off.

He is not without rivals in his venture. Bigger ATM manufacturers, such as Diebold of the US and Wincor Nixdorf of Germany, have developed similar products but Mr Lundblad says his can handle larger volumes of money and detect forged or stolen notes more reliably.

An executive at a rival company admits the Q-Cash Router is an “excellent product” but says it is more technically complex than others on the market.

Showing off a demonstration model at Banqit’s headquarters near Stockholm, Mr Lundblad’s boyish enthusiasm in his invention is clear to see. Whereas other cash-recycling machines receive and dispense banknotes from the same ATM, he explains, Banqit’s has a separate booth for making deposits and two adjacent machines for withdrawals. This allows three people to be served simultaneously, with the deposited cash feeding the two dispensers. Agreements are made with local retailers to ensure a steady flow of money into the system.

Trials by Swedbank, one of Sweden’s biggest banks, have shown a halving in the volume of cash handled by branches using the machine, implying huge savings if adopted across the industry. Banks in the European Union alone spend an estimated €50bn-€70bn a year moving and storing physical banknotes.

Sceptics might question whether the ATM market is a smart place to be investing at a time when cash is increasingly being displaced by electronic payments. Yet Mr Lundblad insists there will always be a place for physical money and says the total amount in circulation is still increasing because of growth in emerging markets.

Indeed, he sees China as one of the most promising export markets for his product.

While convinced of its potential, Mr Lundblad does admit that Banqit needs help to make the Q-Cash Router a success. Talks have been held with several bigger ATM makers about possible investment.

“I’m 72 and the market window is now, so I don’t have time to patiently build up the business like in the past,” he says.

Even if he sells a stake in the business, Mr Lundblad wants to stay involved until the product comes to fruition. Then, he says, it will be time to move on to his next idea – an automatic pancake maker to produce crepes for his three grandchildren as easily as making a cup of coffee.

“The risk for a guy like me is that you don’t know if you will survive when you stop working,” says Mr Lundblad. “I have a goal to be 100 and healthy and still inventing.”

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